

# COUNCIL CHAMBER

City Manager  
03/07/17

## City of Mentor

### RESOLUTION NO. 17-R-104

A RESOLUTION OPPOSING THE STATE OF OHIO GOVERNOR'S PROPOSED 2018-2019 BUDGET, WHICH PROPOSES CENTRALIZED COLLECTION OF NET PROFIT TAX RETURNS AND OTHER PROVISIONS RELATED TO THE MUNICIPAL INCOME TAX, WHICH WILL CAUSE A SUBSTANTIAL LOSS OF REVENUE NEEDED TO SUPPORT THE HEALTH, SAFETY, WELFARE AND ECONOMIC DEVELOPMENT EFFORTS OF OHIO MUNICIPALITIES, AND DECLARING AN EMERGENCY.

WHEREAS, Governor John Kasich has proposed a state budget plan within House Bill 49 that includes a program for the centralized collection of Ohio municipal income taxes on net business profits; and

WHEREAS, centralized collection of municipal income taxes by the state is a direct attack on the home rule powers granted to municipal corporations by the Ohio Constitution; and,

WHEREAS, a takeover by the state of municipal income tax collections separates the revenue generated by municipal income taxes from the residents who voted to authorize the taxes to be collected with a strict understanding that the revenue would be used for the direct benefit of their local communities; and,

WHEREAS, the loss of local control of any portion of locally generated revenues limits the ability of local government and their leaders to remain good stewards of their tax dollars; and,

WHEREAS, the municipal income tax is the single largest revenue source, which provides essential municipal services, promoting a positive quality of life that residents and businesses alike rely upon, and any forced reduction in this revenue will have a negative impact on residents and businesses, creating an environment detrimental to retaining and attracting business in Ohio; and,

WHEREAS, the centralized collection of municipal income taxes will mean the loss of revenue as a result of a 1% collection to be assessed by the state (which could grow larger in the future) and the loss of interest income resulting from state's proposal to only release the remaining revenue quarterly; and,

WHEREAS, there is a much greater concern that the state of Ohio will determine to take a larger percentage of local municipal income tax revenues in order to meet state priorities in place of local priorities when state revenues do not meet expectations: and,

WHEREAS, local governments view the taking of local municipal income taxes for state purposes as a very real threat given the very recent arbitrary reduction of Local Government Funds by 50% to meet state budget revenue deficiencies, a decision which costs the City of Mentor millions of dollars annually: and,

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WHEREAS, municipalities can and will provide the personal service and assistance to its taxpayers in the preparation and filing of their tax reports and returns and which The State of Ohio is incapable of performing; and

WHEREAS, municipalities currently collect local income taxes in an efficient and effective manner. While some still "self-collect," many municipalities, including The City of Mentor, participate in regional tax collection agencies. The Regional Income Tax Agency (RITA) and the Central Collection Agency (CCA) are two examples of regional collaboration accomplished through shared services. These agencies have more than 45 years of expertise in the collection of municipal income taxes and perform these services at very low rates; and,

WHEREAS, municipalities currently receive their tax collections on a monthly basis. The state distributes the School Municipal Income tax and other state collected taxes on a quarterly basis. This will result in a cash flow problem in many municipalities which may require the issuing of short term debt while waiting for distributions to meet basic service needs; and,

WHEREAS, this proposed language also includes a provision that would eliminate portion of the sales factor, known as "throwback", substantially reducing reportable tax revenue to municipalities with warehouses, distribution centers, and any business providing online sales; and,

WHEREAS, as a result of years of expertise, regional collection agencies currently provide immediate access to records. The State will likely not be equipped to provide municipalities copies of paper returns, W2's, supporting schedules, and refund requests in a timely fashion; and,

WHEREAS, local communities currently collaborate with the regional collection agencies to provide efficient service in collection, reporting and compliance efforts. This is critical for budgeting, forecasting, GASB requirements, and revenue sharing with schools or businesses. Local leaders strongly believe that a state centralized collection process cannot and will not provide this level of service; and,

WHEREAS, only municipalities can ensure the prompt and proper auditing of local tax returns to ensure all applicable deductions and declarations are reported, thus also ensuring that all taxpayers pay their fair share without causing higher costs of compliance for all, and must be able to do so without burdensome and costly restrictions included in the Governor's budget proposal created with the only purpose of restricting municipalities from correcting / auditing business return filings or making assessments; and

WHEREAS, provisions in this proposal will hamper municipalities' ability to audit and correct municipal income tax business returns, to equitably enforce the municipal income tax laws, and has been crafted as a vehicle to control the administrative process of municipal income tax to the benefit of specific taxpayer interests; and

WHEREAS, creating additional State bureaucracy for this purpose not only removes a level of control over locally generated funds, it replaces private sector jobs within efficient regional collection agencies with additional state employees, who have historically not demonstrated a similar level of efficiency; and,

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WHEREAS, through a variety of tested methods, including non-filer subpoena programs, non-payer small claims & civil case work, and IRS data to pursue non-filers and under-reporters, local governments have worked to institute effective compliance efforts. The state's track record in this regard is poor at best. Unpaid balances perpetually exist with deregulated utility companies, School District Income Tax collections, and sales tax collections; and,

WHEREAS, The City of Mentor strenuously objects to this latest attack on municipal home rule under consideration by the State of Ohio and urges all municipal corporations to make it clear to the Governor and General Assembly that this proposed usurpation of constitutionally-granted local municipal power shall not take place without a vigorous legal challenge by affected municipal corporations.

WHEREAS, in the wake of sweeping reductions in the Local Government Fund, municipalities cannot afford another potential loss in revenue resulting from a less efficient collection method as detailed by the concerns above, nor would the decision to consolidate any, or eventually all, municipal tax revenues in Columbus instill a level of confidence among local governments in light of the stark break in the decades-long covenant between the State and local governments over the sharing of revenues placed in the Local Government Fund;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MENTOR, COUNTY OF LAKE, STATE OF OHIO:

SECTION 1. That this Council does hereby declare its strong opposition to any effort by the State of Ohio to take over the collection of municipal income taxes on behalf of Ohio communities and urges its state legislators to reject and oppose any amendment to pending bills or introduction of new legislation that proposes the transfer, collection, and/or control of municipal income taxes to the State of Ohio Department of Taxation or any other State of Ohio administrative agency.

SECTION 2. That this Council is unaware of any concerns expressed by the business community within the City of Mentor about the efficiency or effectiveness of local income tax collection efforts or about any undue burdens placed upon them as a result of the requirement to comply with current local tax codes or the need to file returns with the municipality.

SECTION 3. The Ohio General Assembly should request the immediate removal of all language pertaining to municipal income tax collection and administration, and should promote upcoming changes to the Ohio Business Gateway as a solution for businesses to file municipal income tax returns in a more simple and efficient manner, with the Ohio Business Gateway continuing to act only as a portal to remit payments and filing information directly to municipalities, and not to the Ohio Department of Taxation for processing.

SECTION 4. That it is found and determined that all formal actions of this Council concerning and relating to the adoption of this resolution were adopted in an open meeting of this

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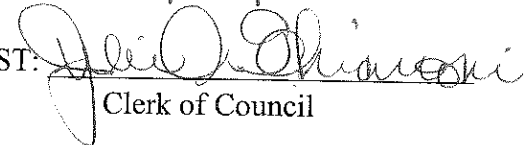
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Council and that, except as otherwise provided by Section 121.22 of the Ohio Revised Code, all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public in compliance with all legal requirements.

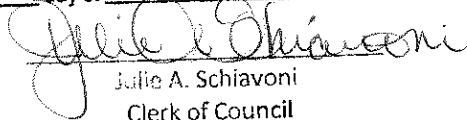
SECTION 5. That this resolution is hereby declared to be an emergency measure necessary for the preservation of the public peace, health, welfare and safety of the inhabitants of this City, and further, for the purpose of insuring the continued efficient and effective local collection of revenues necessary for continuing vital public services. WHEREFORE, this resolution shall take effect and be in force from and immediately upon its passage.

  
President of Council

PASSED: 03/07/17

ATTEST:   
Clerk of Council

Julie A. Schiavoni, Clerk of Council of the City of Mentor  
do hereby certify that the foregoing is a true and exact copy  
of Ordinance/Resolution No. 17-R-104  
passed/adopted by the Council of the City of Mentor on the  
7<sup>th</sup> day of March, 2017

  
Julie A. Schiavoni  
Clerk of Council